



MONTGOMERY COUNTY

Isiah Leggett  
*County Executive*

Roger Berliner  
*Council President*

March 12, 2012

The Honorable Jamin B. (Jamie) Raskin  
Chair, Montgomery County Senate Delegation  
James Senate Office Building, Room 122  
Annapolis, Maryland 21401

The Honorable Brian J. Feldman  
Chair, Montgomery County House Delegation  
House Office Building, Room 350  
Annapolis, Maryland 21401

Re: Proposed Pension Cost Shift and Maintenance of Effort Changes

Dear Senator Raskin and Delegate Feldman:

The proposed pension cost shift and Maintenance of Effort changes are matters of tremendous importance to our County's future. As you move toward resolution of these issues, we want to make sure that you know of our concerns.

Pension Cost Shift

As you know, we do not think the shift is justified on any policy basis. From a fiscal perspective, it is no more necessary now than it has been in past budgets. Nonetheless, if you conclude that there are not acceptable alternatives to a shift, we urge you to keep the cost impact on our community to a minimum, both now and in future years.

The shift embodied in the Senate measure is a significant improvement over the Governor's initial proposal. However, it effectively places 100% of "normal" costs (*i.e.*, the costs most associated with teacher salaries) on county governments that have no control over these costs.

We believe that in order to be fair and to provide for some modest incentive for school systems to control these costs going forward, "normal" costs should be split 50-50 between school systems and county governments during the phase-in. Under this approach, county governments would pay the State directly for their share of the costs, outside of the maintenance of effort calculation.

### Maintenance of Effort

As you know from our recent letters and testimony, our County has deep concerns with the changes included in Senate Bill 848 as amended and House Bill 1412. We urge you to take a more measured, yet meaningful, approach to these issues.

While we appreciate that the Senate bill no longer calls into question the difficult decisions we made in FY 12, we nonetheless view these measures as (1) extremely overreaching and making profound and little understood changes in the structure of the law; (2) seriously intruding upon the most fundamental responsibilities of local government; (3) lacking benefit of the reflection legislators typically require before such significant changes are made, changes that will alter our County's obligation to over half its budget; (4) coming in the aftermath of one of the nation's gravest economic crises – hardly representative of our long history of extraordinary support for our schools; (5) inconsistent with the fact that our Board of Education has requested a rebased budget for FY 13, a budget that will apparently allow for more generous compensation adjustments than our County government employees will receive; (6) likely leading any future Council to be very reluctant to exceed maintenance of effort going forward; and (7) jeopardizing our County's AAA bond rating.

It is true that because of the Great Recession, for the last three years we could not meet the maintenance of effort threshold. A key reason is that in the previous decade we had exceeded the maintenance of effort level – and thus raised the schools' spending base – by \$576 million. Nor could we see a path forward that would allow us to meet maintenance of effort in future years without rebasing. At the same time, since the State funded its increased support for local education with comparable cuts to county governments, we had fewer resources to meet the rest of our fundamental obligations. In point of fact, our "local" support for other vital services, including public safety, has been reduced far more severely precisely to minimize the impact on our schools.

We recognize that other counties have not been as generous to their schools as Montgomery County has been and that there is reason for concern. But the net cast by this legislation is too broad, and it would ultimately lead to extreme strife between the school community and every other constituency and service our County provides.

We support maintenance of effort reform, and we believe that the original version of Senate Bill 848 provides a sound framework for constructive changes to the law. Given the combination of the bill's profound impact on over 50% of our budget, its complexity, and the fact that it was so closely held and only recently released, we are still in the process of exploring possible amendments. However, in the absence of agreement on the new and complicated issues injected by the bills in their present form, we urge you to focus on the reforms on which there is common ground.

The Honorable Jamin B. (Jamie) Raskin  
The Honorable Brian J. Feldman  
March 12, 2012  
Page 3

In our meetings in Annapolis with you and other leaders of our delegation, we have stressed that we will stand by you if at the end of the day the total package that emerges treats Montgomery County and its residents fairly. We stand by that pledge. However, in the absence of substantial changes to the pension cost shift and maintenance of effort legislation, we will not be able to say that.

We remain ready, willing, and able to work with you to achieve a fair result for our County.

Sincerely,



Isiah Leggett



Roger Berliner

cc: Montgomery County Delegation